

Message Text

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ACTION EB-08

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FM AMEMBASSY KUALA LUMPUR

TO SECSTATE WASHDC 1867

INFO AMEMBASSY BANGKOK

AMEMBASSY CANBERRA

AMCONSUL HONG KONG

AMEMBASSY MANILA

USLO PEKING

AMEMBASSY RANGOON

C O N F I D E N T I A L KUALA LUMPUR 0549

DEPT PLEASE PASS USDA

E.O. 11652: GDS

TAGS: EAGR, MY

SUBJECT: MALAYSIAN RICE IMPORTS

REFS: A) FASTO 12, (B) TOFAS 19

1. ANNULAR IBRAHIM, DIRECTOR FOR MARKETING, NATIONAL PADI AND RICE AUTHORITY (LPN) HAD MIXED REACTION TO REF A, HAPPY ABOUT U.S. RICE AVAILABILITY BUT DISAPPOINTED AT PRICE LEVELS. LPN HAS RECEIVED OFFERS FROM A NUMBER OF COUNTRIES AND WILL SOON BE VISITING BURMA, THAILAND, PHILIPPINES, PRC AND AUSTRALIA TO ATTEMPT TO SECURE REQUIREMENTS.

2. LONG GRAIN REQUIREMENTS ARE EXPECTED TO BE MET BY BURMA, WHICH REPORTEDLY HAS RELATIVELY GOOD CROP AND EXPORT TARGET OF 800,000 TONS AND THAILAND. AT ASEAN RICE MEETING IN BANGKOK JAN. 12-13, MALAYSIA REQUESTED PURCHASE OF 253,000
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TONS OF THAI RICE. AFTER THAILAND STATED IT WOULD GIVE PRIORITY TO ASEAN NATION REQUIREMENTS THEY INSERTED THE FOLLOWING SENTENCE: "NEVERTHELESS, THE THAI DELEGATION WOULD WISH TO SUGGEST THAT OTHERS SOURCES OF SUPPLY BE EXPLORED AS SOON AS POSSIBLE." MALAYSIANS WERE VERY UPSET WITH THIS STATEMENT ESPECIALLY SINCE THEY RECEIVED NO ASSURANCE OF SUPPLY.

3. LPN IS MORE CONCERNED WITH SECURING ITS 200-250,000 TONS REQUIREMENT FOR MEDIUM GRAIN RICE. AUSTRALIA REPORTEDLY HAS OFFERED ABOUT 40,000 TONS AND PHILIPPINES HAS INDICATED IT HAS SOME RICE AVAILABLE. NORTH KOREA HAS OFFERED 50,000 TONS BUT OFFER WAS REJECTED BECAUSE IT WAS FLUTINOUS RICE. LPN IS WORRIED THAT THE GENERAL AGRICULTURAL SITUATION IN PRC WILL PREVENT THEM FROM SUPPLYING MALAYSIA'S NEEDS. ON THE OTHER HAND, MALAYSIA IS WORRIED FROM POLITICAL STANDPOINT ABOUT BEING TOO DEPENDENT ON PRC FOR MEETING ITS NEEDS. IN 1973/74, DURING THE TIGHT WORLD RICE SITUATION PRC HELPED MALAYSIA BY SUPPLYING RICE. NOW DEMAND FOR CHINESE RICE IS STRONG ESPECIALLY IN LOWER INCOME BRACKETS. ON OCTOBER 20, 1977, MALAYSIA PURCHASES 60,000 TONS OF PRC MED GRAIN 35 PERCENT (15PERCENT HEAD RICE AND 20 PERCENT BROKEN) FOR JAN/APR FOR \$239.25 PER MT CIF. WHEN PLN MEETS IN PRC NEXT MONTH, THEY DO NOT EXPECT PRICE TO BE ABOVE \$260 PER MT. THEY ADMIT THAT THIS WOULD BE WELL BELOW MARKET BUT THE CHINESE APPARENTLY ARE WILLING TO REDUCE PRICE FOR INCREASE INFLUENCE IN THE AREA.

4. WHILE LPN WOULD PREFER TO DIVERSIFY PURCHASE, U.S. WILL BE RESIDUAL SUPPLIER TO MALAYSIA BECAUSE OF PRICE AND TRANSPORTATION COSTS. LPN FEELS IT COULD JUSTIFY A SLIGHT PREMIUM FOR U.S. RICE BECAUSE OF QUALITY DIFFERENCE BUT PAYMENT OF SIGNIFICANT DIFFERENCE OF U.S. VERSUS CHINESE
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RICE WOULD RAISE LOUD OUTCRY BY OPPOSITION MEMBERS OF PARLIAMENT. MR. ANNULAR ASKED IF THERE WAS ANY WAY PRICE COULD BE REDUCED. AGATT EXPLAINED THAT EXPORTS IN U.S. ARE MADE BY PRIVATE TRADE AND THE U.S. GOVERNMENT HAS NO PROGRAM TO REDUCE PRICE. IF U.S. RICE IS PURCHASES BY LPN, IT WILL BE ON COMMERCIAL TERMS. THERE IS NO INTEREST IN CCC CREDIT.

5. MALAYSIAN REPORT TO ASEAN PLACED 1978 MILLED RICE PRODUCTION FOR TOTAL MALAYSIA AT 1,040,000 TONS. THIS WOULD IMPLY PENINSULAR MALAYSIA PRODUCTION ALMOST EXACTLY AT THE LEVEL ESTIMATED IN REF B.
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